Request for Proposal for the Sub-Servicing of the Single Family Mortgage Loan Portfolio

1. **Question:**

   All loans, regardless of loan type, are to have interest calculated and charged through the pay off date and not the end of the month, correct? Please confirm that the Contractor cannot collect interest through the end of the month, only remitting per diem (i.e. FHLMC) to MSHDA.

   Response:

   For all of the Authority's interest bearing loans, interest can only be charged and collected through the pay off date. Any interest received by the Contractor for the period subsequent to the pay off date must be returned to the remitter.

2. **Question:**

   Does not having an office in the State of Michigan at this time preclude a Contractor from providing a proposal? Would consideration be given to such a proposal? What would be considered an 'office'?

   Response:

   Prospective Contractor(s) do not need to have an office within the State of Michigan at the time the proposal is submitted and consideration will be given to such a proposal. However, the selected Contractor(s) will be required to have an office in the State of Michigan before entering into a contract with the Authority. The Contractor will need to have live, on-site staff available at the Michigan location(s) for the purposes of, but not limited to, accepting mortgage payments, discussing with mortgagors their questions and concerns regarding their loan and assisting the Authority, lenders and other applicable parties in all acquisition and servicing issues.

   For the Michigan office(s), all prospective Contractor(s) should include in their proposal a description of the services to be available, the level and type of staffing and the number and location of the office(s).

3. **Question:**

   MSHDA loan numbers are 11 positions. Is this the case currently, because the Fidelity servicing system investor loan number field will only allow 10 positions? Is the first digit of the loan number the same for all loans, and will it continue to be the same throughout the life of the contract? If so, the first position can be hardcoded in reports.

   Response:

   The Authority's loan numbers contain 11 digits and we anticipate that this will be the case throughout the life of the contract. The first digit of the Authority's loan number is always a zero and does not have to appear on the Contractor's hard copy reports. For the purpose of submitting the monthly electronic report all 11 digits are required. Prior authorization is required for any other format changes to the Authority's account numbers.

4. **Question:**

How many different Bond Series are contained in the current portfolio at DMI?

Response:

Currently the Authority has 23 bond series.

5. **Question:**

What are the current delinquency ratios and how many loans are in F/C and BR?

Response:

As of December 31, 2005, the Authority's delinquency rate is 20.75%. The following is an aging of the delinquencies:

1 - month 10.89%
2 - months 3.51%
3 - months 1.76%
4 or more months 4.59%

As of December 31, 2005, the Authority has 176 loans in foreclosure and 283 loans in bankruptcy.

6. **Question:**

There is no Exhibit 15, Electronic Exceptions Report, included in the Servicing Manual. Where can we obtain a copy?

Response:

A copy of the Electronic Exceptions Report will be placed on the Website by March 21, 2006.

7. **Question:**

Can servicing system-generated reports be substituted for the reports in Schedule A-L as long as they contain the same data?

Response:

Yes, but only if the data is in the required format. The Authority must have separate delinquency reports, prepaid installment reports, curtailment reports and etc. The information cannot be combined in a trial balance or remittance report.

8. **Question:**

We currently are in the process to receive our servicing ticket from Fannie Mae. We do believe this will not be a problem as all other dynamics are well in place. My question is this: Can I still submit the RFP if the ticket approval is still in process?

Response:

Yes, a response to the RFP can be submitted while a servicing approval is pending. However, the top scoring Contractor(s) must be in possession of all of the required servicing approvals by June 9, 2006.

9. **Question:**

This question is in reference to the scoring section pertaining to experience with loans that have an original principal balance under $70,000. What time frame specifically do you want?

Response:

The Contractor must provide the Authority with its current percentage of loans (based on the number of loans) with original principal balances of $70,000 or less. Please indicate the month and year. For any month during the past seven years, the Contractor should provide the Authority with its highest percentage of loans with original principal balances of $70,000 or less. Please indicate the month and year.

10. **Question:**

Under the "Financial Strength" category, specifically what are risk-weighted tangible assets?

Response:

Risk-weighted tangible assets are only applicable to traditional banks. Entities other than traditional banks will be subject to the ratio of core capital to adjusted tangible assets.

11. **Question:**

What kind of statement is MSHDA expecting? In other words does MSHDA want quarterly, monthly or annual coupons?

Response:

The Contractor must send the mortgagors an annual statement. The Contractor may elect to send the mortgagors a monthly statement or a coupon book. The Contractor must indicate in their bid response the method that will be used.

12. **Question:**

"Whether or not a Contractor receives new loans will depend on the Contractor's entering into agreements with the originators to sub-service loans that the orginator produces." If the Authority has purchased the loan with the servicing released, doesn't the Authority have the power to direct the servicing of the loan to the servicer of it's choice? Or does this mean that the Authority intends on allowing multiple servicers to exist after this contract is awarded, because some originators will retain their loans? In order to fully understand the scope and feasibility of reviewing and entering into a contract relationship with the originators, please provide a list of all originators and their individual production volume for 2005.

Response:

The Authority may enter into contract(s) with more than one Contractor. Subject to approval by the Authority, originators will select which Contractor will sub-service the loans they produce. There are no assurances that the Contractor(s) will receive any new loans in the future. Some of the factors that will determine the number of loans the Contractor(s) will receive in the future will be Contractor's ability to enter into arrangements with the originators to sub-service the loans that the originators produce, and developing and maintaining a positive working relationship with the Authority's lenders.

The following is a list of all originators and their production volume for the calendar year 2005.

Name of Originator	Number of Loans
Wells Fargo Home Mortgage	7
First National Bank of St. Ignace	4
Heartwell Mortgage Corp	38
Flagstar Bank	92
Exchange Financial Corp	36
Lapeer County Bk & Trust	1
Citizens Bank	68
Universal Mortgage Corp	17
Countrywide Home Loans	75
Republic Bank	103
Amerihome Mortgage Corp	3
Independent Bank Corporation	37
Chemical Bank	56
Towne Mortgage Company	41
Huntington Mortgage Co	13
Traverse Mortgage Corp	140
Irwin Mortgage Corp	3
TCF Mortgage Corp	2
Upper Peninsula State Bank	42
GMAC Mortgage Corp	9
First Bank, Upper MI	11
NCM A Div of NBC of IN	139
SSB Mortgage Company	18
Guaranty Residential	1
Chemical Bank West	1
Citizens First Mortgage	16
JP Morgan Chase Bank	5
Amera Mortgage Corp	37
Mercury Financial Inc	3
American Home Mortgage	2
ABN Amro Mortgage Group	4
Chemical Bank Shoreline	46
Fifth Third Mortgage Co	27
Northwestern Mortgage	9
Community Central Mortgage	2
First State Bank Mortgage	1
MSU Federal Credit Union	15
CNB Lending Services	2
River Valley State Bank	3
Assurafirst Financial	5
Credit Union One	15
U P State Credit Union	1

13. Question:

"...one or more VA Automatic underwriters on staff". According to the Servicing Manual, VA loans are not assumable, and therefore once a loan is originated and closed, there would be no reason for a servicer to need a VA underwriter on staff if the loan is not assumable. Please advise the reasoning for such a requirement, if not for assumption qualification reviews.

Response:

The Authority's VA insured loans are assumable if the applicable criteria are met. The VA Automatic underwriters will be responsible for determining if any proposed assumption meets VA and Authority requirements.

14. Question:

We do not currently maintain an office in Michigan. Would the Authority consider dropping this requirement in order to achieve the best possible pricing for the contract?

Response:

The selected Contractor(s) must maintain an office in Michigan. Please see number 2 above for more details.

15. Question:

"The Authority will receive the benefit of all interest on escrows". Does this imply all escrow funds *must* be deposited in an interest bearing account? Since the IRS and FDIC recognize the mortgagor as the owner of the escrow funds, interest earned on these funds should be credited to the mortgagor. Could you please explain how the Authority can legally justify this requirement?

Response:

All escrow funds must be deposited into the bank and account designated by the Authority. The designated account will be in the name of the Authority. Currently escrow funds are deposited into an account maintained at JP Morgan Chase. 50 A.L.R. 3 (American Law Reports) 697, Section 3, cites a long line of cases holding that mortgagees who hold escrow accounts for taxes and insurance on behalf of their mortgagors are not required to pay interest on those accounts.

16. Question:

"In the event that there is an escrow shortfall the Contractor shall fund the shortfall, and request reimbursement from the Authority to include the cost of funding escrow advances in the overall fee". In order to calculate the financial impact of funding shortfalls we will need to know the following:

A. How often can we issue a statement requesting reimbursement - immediately upon our advancement of funds; once per month, etc?

Response:

The Contractor will issue a statement requesting reimbursement for net escrow advances as part of their monthly billing process.

During the 46-month period ending February 2006, there was a net escrow shortage at the end of 15 different months. The amount of the month-end net escrow shortage ranged from $3,170.77 to $1,616,022.32. The common months in which a net escrow shortage occurred were July, August and December.

Question (cont.)

B. How many days from the date of our request for reimbursement will the Authority have to make proper restitution for these advances.

Response:

Depending on the accuracy and completeness of the Contractor's monthly billing, the Authority will reimburse the Contractor(s) within 10 business days of the receipt of the billing.

Question (cont.)

C. The Servicing Manual states that no reimbursement will be made on loans in foreclosure until after the redemption period has expired. Does this mean that advances will be reimbursed on all loans, except those in foreclosure?

Response:

The Authority will reimburse the Contractor(s) for foreclosure advances at the expiration of the redemption period.

Question (cont.)

D. What is the procedure of returning funds to the Authority, if a borrower should reinstate the escrow shortfall, either through escrow analysis or reinstatement from default? What are the timeframes that we will have to follow to return the Authorities funds (i.e. immediately after reinstatement, or monthly, etc…)? Note the manual, on page 19, indicates that monthly reports must be sent, but it is not clear when and how funds are to be exchanged.

Response:

Escrow funds received from mortgagors for shortfalls are to be deposited into the escrow account designated by the Authority within two business days of the receipt of funds and reported to the Authority on the monthly billing.

17. Question:

"The Authority will retain late fees". By including this requirement, the Authority will substantially increase its fixed cost of the contract in return for variable, non-guaranteed late-charge income.

A. Would the Authority consider dropping this requirement in order to achieve the best possible pricing for the contract?

Response:

The Authority does not plan to drop this requirement.

Question (cont.)

B. **What policy is there for waiving late fees where ethically proper for the deserving mortgagor?**

Response:

The Contractor(s) must contact the Authority for authorization to waive any late charges. The Authority will evaluate the facts and circumstances on a case-by-case basis.

18. Question

There is no information in the RFP nor its Exhibits regarding any protection for the Contractor as it relates to errors made by the prior servicer. The absence of protections for the Contractor will greatly inflate the bid price for everyone other than the current servicer, because no one else will have an intimate knowledge of the portfolio and the potential risks, resulting in a bidding advantage in favor of the current servicer. What protections will be in place for a Contractor for the neglect of a prior servicer?

A. Will the Contractor have the right to completely review the loan portfolio with full due diligence and reject any loans that may result in insurer penalties or fines relating to prior servicer error? (As an example, failure to meet FHA required timeframes to complete the first legal action with six months of the date of default could result in a loss of thousands of dollars. Another example is when a prior servicer fails to exercise proper effort in accomplishing loss mitigation prior to foreclosure, resulting in FHA imposing an indemnification requirement that historically averages a loss of $27,000.) Will the criteria for rejection be up to the Contractor? Can the criteria be made public prior to the deadline to submit bids?

B. What if the prior servicer refuses or cannot supply complete documentation as it relates to foreclosure related expenses, thereby making them non-reimbursable from many insurers - will the Contractor be responsible for these losses?

C. What if the prior servicer failed to pay an escrowed tax item properly - will the Contractor be responsible for paying any penalties and interest for these accounts?

Response:

Contractors will not be permitted to review the loan portfolio in order to accept or reject any loans. Unless Dovenmuehle is one of the successful Contractors, **all** loans will be transferred to new Contractors. Should Dovenmuehle be one of several successful Contractors, the loans that it transfers to new Contractors will be assigned in essentially random fashion. While the Authority's contracts with its servicers or subservicers have not generally provided a "hold harmless" provision for new contractors in relation to actions that a prior servicer has taken or failed to take, that has been the Authority's practice. To the extent that a loss is attributable to the actions of a prior servicer, the Authority will look to that prior servicer for reimbursement. It may be the case, however, that a new servicer's actions contribute to a loss that had as an original cause the negligence of the earlier servicer. In such cases, the Authority will seek to apportion the loss equitably.

19. Question:

Supply the mortgagors with a monthly statement. We send our mortgagors an annual statement of account. The monthly requirement will add certain fixed costs to the price of the contract. This information is also readily available via the Internet. Would the Authority consider dropping this requirement in order to achieve the best possible pricing for the contract?

Response:

See the response to question number 11 above.

20. Question:

In order to evaluate the risk as it relates to the portfolio's delinquency - is the sample portfolio displayed a true sample of the Authority's portfolio - meaning that the default rate is 21% and that there are at least 236 loans in bankruptcy. Please provide a breakdown of the portfolio by loan type and delinquency percentages by loan type - i.e. FHA 30 days xx%, FHA 60 days xx%, etc., Conv Uninsured 30 days xx%, etc.

Response:

As of December 31, 2005, the following are the Authority's delinquency rates by loan type.

Loan Type	One Month	Two Months	Three Months	More Than Four Months
FHA	12.62%	4.23%	2.33%	8.60%
VA	9.28%	1.03%	1.55%	4.64%
RD	8.93%	2.17%	1.08%	2.71%
Conventional – PMI	8.33%	2.38%	0.69%	2.25%
Conventional - Uninsured	3.23%	1.61%	1.21%	0.81%

21. Question:

To further understand the risk assessment, will the contractor be expected to accept all loans in foreclosure, regardless of stage, and what assurances can be given to the Contractor that information will be transferred in a timely fashion to ensure that no legal or insurer deadlines, resulting in monetary losses, will be missed.

Response:

The Contractor will accept all loans in foreclosure regardless of the stage. If loans in the foreclosure process are not transferred in a timely manner, the Contractor will not be responsible for losses associated with the failure to meet the insurer's filing deadlines.

22. Question:

Will it be sufficient for a Contractor to subcontract the underwriting review of FHA loans with an outside firm, as opposed to having a Direct Endorsement Underwriter on

staff? Also, can you please provide the exact number of qualifying assumptions that were approved by the Authority or their representatives during 2005, by loan type?

Response:

If it is acceptable to FHA, the Authority will allow the Contractor to subcontract the underwriting review of FHA loans. The Contractor will be solely responsible for the actions of the sub-contractor. During the year 2005, the Authority did not approve any assumptions.

23. Question:

Indicates that the Authority will designate which bank will hold deposits. Has the Authority designated such a depository and if so, who is it?

Response:

Please see the response to question 15 above.

24. Question:

Section 2.2 Last Paragraph - "... nor accept mortgage payments from any party other than the Mortgagor of record without permission of the Authority". Any firm using a lock box or any other automated method of processing payments will not be able to feasibly comply with this section. Will the Authority waive this requirement or will it be necessary to comply even if it means that every individual payment be reviewed, thereby greatly increasing the cost to process payments?

Response:

If the Contractor becomes aware that payments are being received from a party other than the Mortgagor of record, the Contractor must review the matter, obtain the relevant information and contact the Authority. The Authority will review each situation on a case-by-case basis and notify the Contractor of our decision.

25. Question:

Section 2.3 Escrows - It is unclear in this section whether the Contractor will be permitted to hold a 1/6th cushion, in compliance with RESPA, or if it must handle the escrows without a cushion. Lack of a cushion results in more difficult circumstances for mortgagors facing increases in tax/insurance bills. Understanding this section will help determine how often the Contractor will be expected to advance funds. Please clarify.

Response:

No cushion is allowed on the Authority's financed loans.

26. Question:

Can the Authority advise how many loans within the portfolio are currently under a transferable tax service contract? Further, can the Authority advise if the portfolio is concentrated within a particular taxing authority - i.e. are the majority of the loans with the City of Detroit or Lansing, etc.

Response:

All of the Authority's loans are under a transferable tax service contract. The Authority's loans exist throughout the State of Michigan. Information regarding the concentration within a particular taxing authority is not readily available.

27. Question:

Section 3.2 Leases - This section leads one to assume that all of the loans originated by the Authority must be owner occupied. Yet there was no indication within the manual what steps the Contractor would be required to exercise should they somehow discover that the borrower had moved and leased the property without Authority approval. Can you please advise what the Authority will require of the Contractor, if anything, should we discover a problem?

Response:

If the Contractor becomes aware that an Authority financed property is no longer owner occupied, the Contractor must review the matter, obtain the relevant information and contact the Authority. The Authority will review each situation on a case-by-case basis and notify the Contractor of our decision.

28. Question:

The manual indicates that property inspections must be done monthly beginning on the 45th day of delinquency. Is this intended to supercede the requirements of FHA or conventional insurers (who tend to require inspections only when we have not had contact with the borrower - and who will not reimburse should we inspect more often), and therefore mean that the Authority will fully reimburse the Contractor for these expenses?

Response:

The Authority will accept the property inspection timetables established by the applicable mortgage insurers. However, the Authority reserves the right to require property inspections on a more frequent basis depending on the particular circumstances. The Contractor will be fully reimbursed for reasonable and necessary costs associated with any additional inspections required by the Authority.

29. Question:

The Authority has very labor intensive reporting requirements on delinquent loans. Is the Authority open to working with the Contractor to streamline and automate the reporting process, as long as it will not sacrifice information necessary to the Authority?

Response:

Yes, please see the response to question number 7 above.

30. Question:

Section 4.15 Default and Claim Procedures - FHA Loans - Items 1 and 2 are not required by FHA (this notification is accomplished through the Single Family Default Monitoring System - SFDMS), does this reference in the manual mean that the

Authority requires special forms on individual FHA loans? If so, is there specific information that is necessary to be included on the forms?

Response:

If FHA does not require items 1 and 2 to be submitted in hardcopy form, this is acceptable to the Authority. However, the Contractor must keep the Authority abreast of the status of loans in the delinquent and foreclosure processes.

31. Question:

"If the sub-servicer entered into a special forbearance agreement with the mortgagor(s) and the mortgagor(s) defaulted, which resulted in the need to file a claim, ..., enabling the settlement to include unpaid interest accrued prior to the execution of the agreement." The additional interest paid by the insurer is meant to be an incentive to engage in loss mitigation efforts with the mortgagor, by the servicer. Is this additional interest passed on to the Contractor? If not, then are the other incentive fees paid by the insurer also the property of the Authority (i.e. fees paid for loan modifications, partial claims, special forbearance plans, short sales etc.)?

Response:

Incentives paid by the mortgage insurer to enter into loss mitigation efforts may be retained by the Contractor.

32. Question:

Some of the information requested is propriety and we would like to see if MSHDA was open to signing a confidentially agreement.

Response:

MSHDA is unable to entered into a confidentially agreement. Please see page 11 of the RFP for more details.

33. Question:

We have numerous lending branches located throughout Michigan. Would those count toward our office total in the state? We do not have a servicing operation in Michigan.

Response:

The number of lending branches that provide the services described in the RFP, page 3, will count towards the total number of offices within the State of Michigan. Please see the response to question number 2 above for more details.

34. Question:

In regards to the delinquency information requested, are you looking for the total portfolio across the all products or specifically for the products under the RFP?

Response:

Please provide your delinquency rates for residential loan portfolio.

35. **Question:**

How versatile is the layout requirement for the Exception files? Can a few minor changes be made?

Response:

No changes are allowed to the layout requirements for the Exception files.

36. **Question:**

Would one Exception file be done for each bond series?

Response:

The Contractor(s) will be required to submit one Exceptions file on a monthly basis that includes all of the applicable data for all of the bond series.

37. **Question:**

How are these file expected to be transmitted?

Response:

The Contractor(s) will be required to submit the monthly files by e-mail.

38. **Question:**

Would these files be transmitted even if there was no data? (i.e. If there were no payoffs one month, would MSHDA still want a Payoff Record report?)

Response:

The Contractor(s) will be submitting the file on a monthly basis. Please see the response to question number 35 above.

39. **Question:**

Can you define "melded" bond series as used in the exceptions reporting?

Response:

This term is not applicable to the Authority's portfolio.

40. **Question:**

Will the Michigan State Housing Development Authority ("MSHDA") require or compel the various originators to enter into separate subservicing agreements with the contractor?

Response:

The Authority expects the originators to agree with a single Contractor to submit all loans the originator originates to that Contractor. The Authority does not require such an agreement to be in writing, but the parties could decide to have a written agreement. The Authority will provide parameters concerning how often an originator could change

Contractors. The Authority does not believe a *subservicing* agreement should be necessary between the originator and the Contractor.

41. Question:

Will MSHDA require originators who have their own internal servicing capabilities to enter into separate subservicing agreements with the contractor?

Response:

The Authority expects that each originator will be able to service loans it originates through the date the Authority purchases the loan. The Authority will allow originators who have the ability to service loans to service the loans they originate until the time the Authority purchases the loans. Once the loans are purchased by the Authority the loans will be transferred to the applicable Contractor for servicing.

42. Question:

Will MSHDA enforce standard terms and conditions for all of these various subservicing agreements?

Response:

The Authority will not require Subservicing agreements between the originators and the Contractor(s).

43. Question:

Will the various originators require private label subservicing (i.e. under the name of each originator) on an interim basis?

Response:

No.

44. Question:

What are the policies or procedures for loans which MSHDA does not purchase for any reason?

Response:

The Contractor(s) will only sub-service those loans that are purchased by the Authority and transferred to the Contractor(s). If the Authority does not purchase a loan, the Contractor(s) will not sub-service the loan for the Authority.

45. Question:

What duties does the contractor have to resolve origination disputes?

Response:

The Contractor(s) will be responsible for taking reasonable steps to ensure that once the Authority purchases a loan, all of the applicable documents and funds due the Contractor are submitted. If a Contractor is unable to obtain the applicable documents and/or funds from the originator, the Contractor will contact the Authority for assistance in resolving any outstanding issues.

46. **Question:**

If the portfolio is divided among more than one contractor, will there be a minimum number of loans for each contractor (pricing is dependent on initial and future volumes)?

Response:

If more than one Contractor is selected, the Authority will make a reasonable effort to allocate the existing loan portfolio as equally as possible to all Contractor(s).

47. **Question:**

Will different types of loans (e.g. FHAs to one contractor, Step Loans to another contractor) be allocated to different contractors or will different contractors receive loans across the spectrum of MSHDA products?

Response:

If more than one Contractor is selected, the Contractors should receive all types of Authority loans.

48. **Question:**

How will new flow volume be allocated among more than one contractor?

Response:

Please see the response to question number 12 above.

49. **Question:**

What is the expected monthly flow volume to be delivered to each contractor?

Response:

Please see the response to question number 12 above.

50. **Question:**

Will multiple contractors be expected to coordinate any issues among themselves?

Response:

If a Contractor has an issue, the Contractor should contact the Authority.

51. **Question:**

Is it possible that one contractor will receive a portfolio to subservice but no new flow production to replace runoff?

Response:

Yes, please see the response to question number 12 above.

52. Question:

What are the expected duties for the FHA Direct Endorsement underwriter and the VA Automatic underwriter that the contractor is required to have on staff?

Response:

The FHA and VA underwriters will be responsible for determining if any proposed assumption meets the requirements of the applicable insurer and the Authority. Also, please see the response to question number 22 above.

53. Question:

When does the certificate of good standing have to be provided? Would it be possible for MSHDA to verify the contractor's status directly with the Michigan Secretary of State?

Response:

Please see the response to question number 8 above. It is the Contractor's responsibility to provide the certificate of good standing.

54. Question:

Please clarify the exact services to be provided at the in-state office of the contractor as they relate to MSHDA, the borrowers and the originators. The RFP references "assistance with acquisition issues" – please clarify and will the MSHDA contract include additional compensation for these non-subservicing duties?

Response:

Please see the response to question number 2 above.

55. Question:

Is the in-state training for the originators limited to the preparation of new loan boarding set-up sheets? Please define any other specific training requirements.

Response:

The Contractor(s) will be required to conduct periodic in-state training sessions to discuss any questions and concerns that originators may have regarding the Contractor's new loan set-up process and the submission of documents and funds.

56. Question:

The RFP requires the contractor to disclose all subcontractors – is there any materiality or other standard, such as only those contractors having direct contact with borrowers?

Response:

Please include in your proposal a list of all subcontractors that will be involved with the sub-servicing of the Authority's loans.

57. Question:

Please clarify the requirement to include the cost of funding escrow advances, and will monthly netting of receipts against new advances be permitted to minimize daily billing and accounting?

Response:

Monthly netting of escrow receipts against escrow advances will be permitted. Please see all of the responses to question number 16 above.

58. Question:

Please clarify the requirement to maintain "insured" custodial accounts, specifically for escrow accounts where daily balances may exceed the $100,000 FDIC insurance limit.

Response:

Please see the response to question number 15 above.

59. Question:

The RFP prohibits any solicitations – would these be permitted on a case by case basis subject to prior approval by MSHDA?

Response:

The Authority does not plan on allowing any type of solicitations.

60. Question:

Please provide the exact MSHDA requirements (A.M. Best credit rating, policy limits and deductibles) for errors and omissions coverage and for fidelity coverage if they differ from the requirements of Fannie Mae and Freddie Mac.

Response:

The Authority plans on following the requirements of Fannie Mae and Freddie Mac.

61. Question:

In lieu of indemnification, will MSHDA enter into a contractual reimbursement agreement?

Response:

Please see the response to question number 18 above.

62. **Question:**

The RFP states that the MSHDA Board must approve the proposed contract, but also states the successful bidder will be sent a contract. Please confirm which contract will be the final subservicing agreement and will there be a negotiation process for any issues identified during the contract review process?

Response:

The Authority's Board will provide the general framework for the terms and conditions of the contact and the authorization to enter into a contract. The Authority anticipates that there will be a negotiation process.

63. **Question:**

Please clarify how MSHDA expects the contractor to assure that properties do not become subject to any liens arising from non-payment of water or other bills. We have procedures to address the removal of liens once filed but cannot monitor or control all borrower behavior.

Response:

Once a notice regarding the non-payment of a water bill, or any other bill, is received, the Contractor must take the necessary steps to ensure that the outstanding amount is paid or resolved in a timely manner.

64. **Question:**

What are the MSHDA requirements for document retention on paid-in-full loans?

Response:

The Authority will retain the applicable paid-in-full documents. The Contractor should retain any documents or information that will assist in the resolution of any future questions regarding the loan.

65. **Question:**

Please define any duties the contractor is expected to perform related to the origination of loans, i.e. resolving origination errors or defects, researching missing file documents, etc.

Response:

Please see the response to question number 45 above.

66. **Question:**

Does MSHDA perform complete due diligence on each loan file prior to each purchase?

Response:

The Authority reviews the loan package before the loan is purchased.

67. Question:

Does the “firm” price requirement prohibit annual cost-of-living adjustments during the term of the contract?

Response:

The Authority anticipates that some proposals may include cost-of-living adjustments.

68. Question:

The RFP requires the contractor to submit a list of subcontractors and their fees. Are these fees required to be disclosed if they are paid by the contractor and not passed through to MSHDA? Can disclosure be limited to fees that are passed through, e.g. property inspections, attorneys’ fees, etc?

Response:

Please include the fees that will be passed through to the Authority.

69. Question:

If MSHDA approves assumptions based on conditions other than those specified, does MSHDA certify that the approved terms comply with all Applicable Requirements and assume responsibility if they do not comply?

Response:

Please see the response to question number 52 above.